DEVELOPMENT COMMITTEE

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

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Introduction

1. The global landscape has changed dramatically over the past decade. Increased trade with and investment in and among low- and middle income countries have created opportunities to leverage finance and knowledge for development and help countries move beyond aid. As a result, many LICs have made progress in reducing poverty and achieving other Millennium Development Goals (MDGs), and emerging economies have been driving forces of growth. Nonetheless, significant challenges remain. Extreme poverty is increasingly concentrated in fragile states, and development challenges remain significant in many emerging economies. To address these challenges, countries need to rebuild fiscal and monetary buffers and improve social safety nets and food security. We need to create productive jobs for men and women and build security in fragile and conflict-affected countries.

WBG strategy

2. Our constituency shares the World Bank Group's (WBG) vision of ending extreme poverty and promoting shared prosperity in a sustainable manner. We welcome the renewed emphasis on poverty and the proposed transformation of the WBG. With the aim of transforming into a 'solutions bank' following 'a science of delivery' approach, we fully endorse working as 'One WBG' and re-aligning the

entire budget towards the twin goals. Country needs and demand should remain centre stage. The proposed transformation implies, however, huge reform challenges.

3. Dealing with persistent poverty and inequality – both in LICs and MICs – requires a daring approach. As economies grow, World Bank resources, both in IDA and IBRD are falling in relation to GDP of recipient countries. IDA levels declined from 1.6% in 1991 to just under 0.6% of the GDP of recipient countries today. At the same time, more and more countries are graduating from IDA. Therefore, IDA should shift the focus from adding more and more resources to deploying resources more effectively and leveraging private resources. We encourage the WBG to build on the experience of IFC in leveraging those resources.

4. The WBG may add value on the ground by using its convening power for coordination efforts, but it also needs to work in a synchronised manner with national governments and other development partners such as the UN, the wider donor community and civil society. The WBG should not shy away from sending clear messages in its dialogues with governments. Civil society is very much part of the picture, in supporting upward accountability and monitoring results. The WBG has a vast store of knowledge and capabilities, but customising development solutions requires cooperation and modesty.

5. Poverty is especially challenging in fragile and conflict-affected states (FCSs), which arehome to a significant part of the poorest people. The WBG and other actors face a weak and delicate institutional environment in FCSs, although some progress has been made with the G7+ countries in the context of the Busan New Deal for engagement in fragile states. With poverty increasingly concentrated in FCSs, we encourage the WBG to strengthen its engagement in FCSs by acknowledging the high risk/high return environment of FCSs. This requires a fundamentally different risk approach and more daring and less risk-averse management.

6. Pockets of poverty in MICs are persistent, and solutions difficult to design. We urge the WBG to develop a MIC agenda in order to reach the twin goals by 2030.

7. On the operational side, we support the intention to optimise delivery by bridging the delivery gap between 'global practices' and tailor-made local solutions. Our constituency looks forward to implementing these ideas. The power of the WBG continues to be its client-focused approach. In light of limited resources, the WBG will need to select those interventions that have most impact. Reimbursable advisory services can be helpful in that regard, as these are based on the principle of effective demand. Furthermore, public money could be used to leverage private-sector financing and action in order to increase its impact on development.

8. The new strategy is right to emphasise environmental, social and economic sustainability. A failure to adequately integrate climate change challenges will lead to sub-optimal development results and only temporary benefits. Social inclusion is another key aspect. The Bank should redouble its efforts on the access-to-finance agenda, to enable people to engage with the local and world economy and work their way out of poverty. Lending reform and safeguards reform are needed to fully acknowledge the problems of our time and to move from a 'tick the box exercise' towards effective protection of the most vulnerable. This should be done by recognizing human rights issues and integrating incentives into program and project design. This also helps to keep the WBG accountable and transparent and to prevent unjust claims.

9. World Development Report 2014. We support the WBG's increased focus on risk management: not ticking the boxes on a list of preconditions, but accountability on the basis of actual results. As the WDR points out, calculated risk-taking and appropriate risk management by all actors can lead to huge development dividends.

IDA17 replenishment

10. IDA17 is a crucial replenishment round. A number of issues with implications for the long-term shape of IDA are being discussed. Meanwhile, the replenishment is taking place in the context of a challenging and uncertain external environment and heightened fiscal constraints for several partner countries. Therefore, IDA17 needs a strong narrative to make the public case for IDA by focusing on IDA's

successful contribution to poverty reduction (based on its country-based model and comparative advantages). With respect to graduation, the WBG should deal with perverse incentives for countries to retain access to IDA and focus on those in real need, while at the same time making graduation more attractive by facilitating TA or differentiated rates. We urge the WBG to take into consideration that for countries such as Armenia, Bosnia and Herzegovina and Georgia, access to financial markets is limited and costly. We expect that when needed, these countries will be compensated under IBRD on a one-for-one basis for previous loan access.

Modernisation and reform agenda

11. The modernisation and reform processes that different parts of the WBG have initiated over the last few years will prove useful, but more work lies ahead to implement the World Bank's vision. Further integration of the WBG is essential for solutions that make one and one equal 3, and at the same time reduce costs of overlap. In addition, it is important to work on increased synchronisation between IDA and trust funds, and to reduce unnecessary fragmentation.

12. Given constrained resources and the dismal economic environment in many member countries, it is all the more important for the WBG to set a clear example by bringing its remuneration and benefits policy in line with its development mandate. Resources – generated by members' interest payments and prior capital returns – spent on salaries and benefits cannot be used for scaling up development efforts. Therefore, we ask the WBG to bring its relatively generous policy more in line with the public development objectives it stands for.

13. Sound procurement is the cornerstone of development of any country. The current review of procurement policies is therefore important to our constituency. Procurement helps countries get value for their money and build capacity. We strongly believe that the quality of the end product and monitoring of contract compliance should be fully integrated into tender procedures. Furthermore, legal recourse and complaint mechanisms should be improved and clarified – for all parties concerned. At the same time, we urge the WBG to look through the lens

of the client, limiting the compliance burden and preventing excessive and costly procedures.

14. The WBG has embarked on an ambitious path of modernisation, creating a WBG relevant for the future. Our constituency fully supports the vision and stands ready to cooperate in realising a solutions bank, more able than ever to assist clients in their sustainable development.